



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt
Governor

Lowell P. Braxton
Division Director

September 16, 1998

Ken Done
Kennecott Utah Copper Corporation
8315 West 3595 South
P.O. Box 6001
Magna, Utah 84044

Re: Acceptance of Replacement Surety Bonds and Reclamation Contracts, Kennecott Utah Copper Corporation and Kennecott Barneys Canyon Mining Company, Bingham Canyon Mine - UCD Modernization Project (M/035/011), Barneys Canyon Mine (M/035/009), and Hidden Treasure Exploration Project (E/045/075), Salt Lake County and Tooele County, Utah

On July 10, 1998, Kennecott Utah Copper Corporation and Kennecott Barneys Canyon Mining Company (Kennecott) provided the Division with replacement surety bonds for their Bingham Canyon Mine - UCD Modernization Project, the Hidden Treasure Exploration Project, and the Barneys Canyon Gold Mine. New reclamation contracts were required to accompany the new surety bonds and the completed contracts were received August 25, 1998.

The Division Director has signed the new bonds _____ and _____ issued by St. Paul Fire and Marine Insurance Company and the reclamation contract forms. The effective date for our acceptance of the replacement sureties is September 14, 1998. We have enclosed copies of the signed replacement surety documents for your files. Also enclosed are three original surety bonds _____ and _____ issued by American Home Assurance Company and a fourth bond _____ issued by U.S. Fidelity Insurance Company for the UCD Modernization Project. If appropriate, please return these to the pertinent surety companies for disposal. The reclamation contracts for these bonds are also enclosed for your disposal.

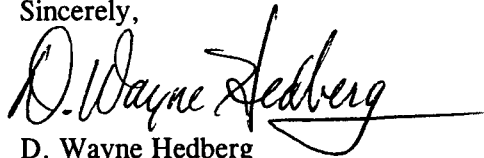
By letter dated June 8, 1998, the Division honored Kennecott's request that the replacement bonds for these three operations remain at the same dollar amount as currently held by the Division, because we are only half way through the normal 5-year time period for surety re-evaluation. Therefore, the sureties were not adjusted to reflect current dollars nor re-escalated five years into the future. These replacement surety bonds will need to be reevaluated in the year 2000.

For your information, our records indicate that the bond for the Bingham Canyon Mine - 4th Line Expansion project (\$5,300,000) was due to be re-escalated in 1997. The Division will prepare an updated and re-escalated bond amount for this project and forward it to Kennecott within the next 30 days.

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Thank you for your patience and continued cooperation in finalizing these surety actions. If we can be of further assistance or if you have any questions or concerns regarding this letter, please contact me at (801) 538-5286.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures: 4 original bonds; 3 original MR-RCs,
copies of 3 replacement bonds & MR-RCs
Kennecot.ltr